



**UTAH STATE  
OFFICE OF  
REHABILITATION**

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Client Service Memorandum 2014-03  
TO: All DRS VR Counselors  
FROM: Eric Roux, Field Services Director

SUBJECT: Temporary guidance for the consideration and provision of self-employment services.

Date Issued: August 1, 2014

Effective Dates: August 1, 2014 through February 1, 2015 (or superseded by CSM update)

## **PURPOSE**

The purpose of this Client Service Memorandum is to offer clarification, guidance, and modification of Chapter 27 of the CSM regarding self-employment. The instructions in this memo will sunset on February 1, 2015, to be replaced by a permanent policy in Chapter 27 of the CSM.

## **POLICY**

As appropriate to the VR needs of each individual and consistent with each individual's informed choice, USOR must insure that VR services are available to assist the individual with a disability in preparing for, securing, and retaining, or regaining an employment outcome that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice. In instances where self-employment is a supportable employment placement outcome, the following services must be available to the client: Technical assistance and other consultation services to conduct market analysis, develop business plans and otherwise provide resources, to the extent those resources are authorized to be provided through the statewide workforce investment system, to eligible individuals who have entered into a supportable vocational goal in their IPE and who have been assessed as supportable in an employment placement through self-employment through telecommuting, or micro-enterprise level small business operations. In such cases, USOR policy requires at a minimum that VR counselors and Clients pursuing a self-employment placement goal (in order):

1. Complete a comprehensive assessment that demonstrates justification and support of the vocational goal underlying the self-employment placement consideration.
2. Review all employment placement options available to that vocational goal to insure fully informed choice.



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3. Receive benefits assessment and consultation if client receives public benefits such as SSI/SSDI, Medicare/Medicaid, TANF, or housing assistance, etc.
4. Complete the USOR Self-Employment Questionnaire;
5. Determine if this self-employment request falls into a Tier 1, Tier 2, or Farm Worker Tier;
6. Complete a business and marketing plan appropriate to the level determined in #4;

## DEFINITIONS

**Self-Employment:** For purposes of this policy, self-employment shall be considered one possible placement option for individuals who have been assessed and found to have a specific supportable vocational goal which is central to the employment placement outcome reviewed under self-employment options. Self-employment efforts appropriate for VR support must be at or below the Micro-Enterprise level.

**Tier 1 Self-Employment:** For purposes of this policy, Level 1 self-employment is characterized by a *preponderance* of the following conditions:

- A. Total seed capital of less than \$7,000.
- B. Total VR contribution costs of less than \$5000.
- C. Significant prior expertise and success in the area in which this self-employment will exist.
- D. Rapid implementation with profitability in one year or less.
- E. Low overhead costs for ongoing operations.
- F. Limited marketing needs.

**Tier 2 Self-Employment:** Level 2 self-employment is characterized by any of the following conditions:

- A. Total VR contributions in excess of \$5000.
- B. Production based operations requiring machinery or large inventory
- C. Total seed capital of \$7,000 or more.
- D. Extensive additional or outside supports required.
- E. Need of a credit line to secure or maintain operations
- F. Intensive business plan or marketing plan needed

**Farm Worker Self-Employment:** Businesses which conform to rural, agricultural based operations (Animal husbandry, farming, etc.), shall continue to be defined and considered under current farm worker policy.



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**Micro-Enterprise:** for the purposes of this policy a micro-enterprise is defined as a type of small business with a single owner-operator with no employees, requiring total seed capital of less than \$35,000.

**Business Plan:** is a formal statement of a set of business goals, the reasons why they are believed to be attainable, and the plan for reaching those goals. At a minimum USOR requires a business plan that includes; descriptions of the service or product, 3 to 5 year profit and loss projections, start-up costs and timelines, marketing plan, and other information as is appropriate to the individual. At counselor discretion, Tier 1 business plan may be of a more limited scope and brief nature commensurate with lowered cost and complexity than Tier 2 business plans.

**Seed Capital:** Pre-revenue costs encompassing the total investment and startup expenses required to initiate a micro-enterprise business. Seed capital may come from personal resources, banks and other official lenders, or outside social supports such as family and friends.

## **GUIDANCE**

Self-employment is not considered a vocational goal, but may be considered as an appropriate type of placement option for purposes of a VR case. Clients should have this clarified to them at all relevant times to insure there is a clear and informed understanding regarding the aim and significance of their requests and choices during both the vocational goal and employment placement phases of their case.

A comprehensive assessment must be conducted justifying and specifying a vocational goal prior to consideration of placement options, including options of self-employment.

Clients expressing significant changes in vocational goal or business type must show stability over time as well as participate fully in a new comprehensive assessment and business/self-employment assessment before any VR support for the change is considered.

For both Tier 1 and Tier 2, if at any point in the process the client and/or counselor determine self-employment is not an appropriate placement path for the client, client would be placed back onto typical wage work placement track.

VR will not provide funding or support requests for self-employment for:

1. Existing business which are established and in operation prior to application
2. Businesses that are speculative in nature (based on investments or invention)
3. Businesses organized as non-profit (501c3, volunteer, etc.)
4. Businesses organized as hobbies (avocational pursuits not resulting in gainful income)



Employment & Independence

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5. Purchase of real property (land and whatever is erected or growing on it or affixed to it)
6. Multi-level marketing
7. Franchises
8. Business which, at startup or during VRs involvement will exceed micro-enterprise level
9. Businesses which, at initial operation levels, require multiple or full time employees

## **SELF-EMPLOYMENT PATHWAY**

### **All clients...**

1. Eligibility determination, comprehensive assessment, establishment of vocational goal, and stabilization services occur just as for all clients.

### **Client expresses interest in self-employment...**

2. VRC and client explore whether the thing the client wants to be doing in their business is a good vocational goal for them, just as VRC would do with any client.
  - A. If found not to be right vocational goal for them, explore other options, per typical VR procedures
  - B. If found to be a potentially successful vocational goal for them, determine what steps need to be taken to achieve that vocational goal.
    - a. Take those steps (restoration, school, training, job coaching, assistive technology, etc.)
    - b. When close to finishing steps to achieve vocational goal, determine best way to achieve placement outcome, whether working for someone else or starting self-employment.
      - 1) If self-employment seems to be potentially appropriate placement option for client, begin self-employment assessment process
        - a. Give Self-Employment Packet 1 materials to client. Discuss with client and decide whether to further explore a self-employment placement.

### **Engaging in the self-employment assessment process:**

1. If VR Counselor and client determine further self-employment exploration is appropriate, VRC determines whether business is Tier 1, Tier 2, or Farm Worker Self-Employment. Send client home with Self-Employment Packet 2 materials. Use the information from those completed materials and the guidance below to determine whether the business would fall into Tier 1, Tier 2, or Farm Worker Self-Employment.
  - b. For any self-employment proposal where sale of goods or direct meetings with clients requires the use of a set location or site of business, a physical review of the site for supportability/viability must be completed. The responsible counselor (accompanied by one other staff of a supervisory level) shall conduct a preliminary



- site visit and summarize in the narrative support for, or business concerns about any proposed site prior to moving forward.
- c. Tier 1 typically includes small, less expensive, simpler businesses, similar to nail technician or hairstylists who rent a booth from a salon or an independent contractor doing subcontracting work. These do not require the same level of expensive or comprehensive business planning and often involve single purchase of limited equipment. Services are usually directly provided and do not require many additional supports.
  - d. Tier 2 typically includes more complex or expensive businesses, operating independently, and requiring multiple and disparate supports as well as future growth plans that may include production, future employees, and credit lines to do business. Extensive marketing needs or machine purchases are also considerations for Tier 2 business planning.
2. If Tier 1, VRC goes through abbreviated process of assessing client as a supportable candidate for self-employment based on factors of stability in disability, legal ability to function in this capacity, demonstrated ability to perform work tasks, and market for service or product.
    - e. VRC will use crucial conversation skills, [sba.gov](http://sba.gov), and other supporting information to assess client's self-employment readiness.
  3. If Tier 2, VRC goes through a process to determine if client is 1) a good candidate for self-employment and 2) whether the business idea is viable. VRC will do this by utilizing information from the completed SEQ, [sba.gov](http://sba.gov), and other resources, as well as through a comprehensive assessment of the following:
    - Stability of disability.
    - Supports available for meeting daily living needs during business development process.
    - Feasibility of the business proposal (profitability, market outlook, etc.)
    - Licensure requirements of profession and/or business.
    - Understanding of tax, invoicing, and bookkeeping required for business
    - Understanding of market and marketing needs for viability of business
    - Access to supporting information and training resources needed for business
    - Completeness of business questionnaire and business plan understanding
  - A. If client's business plan appears viable and in line with their vocational goal but they lack specific business or financial skills then review and engage in appropriate business skills training.
    - a. If client would require *significant* time and training to acquire the business and financial skills needed to successfully start and run their business, re-evaluate whether self-employment is the best placement option for them.





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- B. If client's business plan appears viable and in line with their vocational goal *and* they have established sufficient business and financial skills competency, then proceed with Business Plan Development.

### **Business Plan Development**

Once a counselor has determined that a client A) has an expressed desire to pursue self-employment as a placement, B) has a supportable vocational goal in line with their business plan, and C) has been determined to be Tier 1 or Tier 2 in their Business Plan:

1. Client will then work with their counselor and other available resources (Smart Start, SBDC, etc.) to develop a business plan appropriate to the size and complexity of their business proposal. Give client materials from Self-Employment Pack 3.

### **Business Plan Review and Approval**

After the Self-Employment Assessment Process and early in the process of the business plan, (prior to IPE agreements regarding support of a self-employment placement), the counselor will seek a consultation review.

This review is not a Service Request and is not based on spending level approvals. It is a conceptualization staffing with the appropriate level authority to review the overall business concept and to insure that all necessary questions have been considered prior to any VR support of the business plan.

1. Tier 1 business plans will be reviewed by a simple/basic service request narrative to their direct supervisor. The supervisor will note any questions regarding specific concerns or considerations into the client record system as recommendations for the counselor to discuss or pursue to resolution with the client prior to further agreement. This is a consultative process and not a formal approval.
  - a. When the supervisor and Counselor are in agreement that core concerns have been addressed, the counselor will proceed with IPE creation and appropriate service provision.
    - i. Individual and total cost considerations are still subject to approval levels per CSM Chapter 12 and require a separate and specific Client Service Recommendation and approval.
2. Tier 2 business plans will be reviewed through an administrative service request narrative relayed to the District Director (after consultation with their direct supervisor). The District Director will note any questions regarding specific concerns or considerations into the client record system as recommendations for the counselor to discuss or pursue to resolution with the client prior to further agreement. This is a consultative process and not a formal approval.
  - a. When the District Director and Counselor are in agreement that core concerns have been addressed, the counselor will proceed with IPE creation and appropriate service provision.
    - i. Individual and total cost considerations are still subject to approval levels per CSM Chapter 12 and require a separate and specific Client Service Recommendation and approval.



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3. Once Tier 1 or Tier 2 business plans are reviewed and found to be supportable by the VR Counselor, appropriate services shall be requested and included in the IPE.
  - a. During the process of developing and finalizing any self-employment plan, periodic check-ins must be conducted to insure knowledge regarding how the business is doing, and what if any, additional supports may be needed.

### **Case Closure**

When client has been making a living wage profit (based on closure criteria previously discussed by the counselor and client) for at least 90 days, begin closure process.

Expired